



United States
Department of
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Foreign
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Service

Organics: World Markets and Trade

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Opportunity Abounds in Organic Products

Summary

The growing market for organic products demonstrates that consumers are willing to pay a higher price for a differentiated product. The United States' organic equivalence arrangements with countries such as Canada and, most recently, the European Union (EU), have provided stimulus for further trade. The market for organic commodities has grown in recent years, although it remains a small proportion of the total food market. In 2011 the United States exported \$410 million of selected organic products, primarily to Canada.

Product Differentiation Commands Higher Price

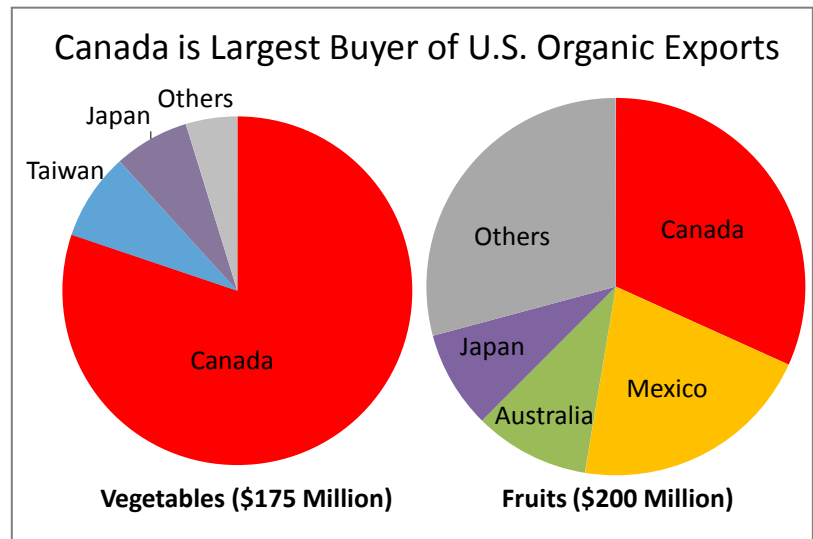
According to USDA's National Organic Program, "Organic is a labeling term that indicates that the food or other agricultural product has been produced through approved methods that integrate cultural, biological, and mechanical practices that foster cycling of resources, promote ecological balance, and conserve biodiversity." Surveys have indicated that there are various reasons that U.S. consumers choose to purchase organic products. Some consumers purchase them in the belief that organic foods are healthier, or out of concern for the effects of pesticides, or as a means to avoid highly processed or artificial ingredients. Others perceive that organic foods are safer, more nutritious, or better for the environment and prefer to support farms and communities by purchasing organic products. Foreign consumers may have similar reasons for choosing to buy organic goods.

The additional price that consumers are willing to pay varies greatly by market and by commodity. Market studies have estimated that U.S. consumers pay a price premium of about 30 percent for organic apples and grapes and 20 percent for carrots. Recent U.S. export data indicates that Japanese consumers pay more for imported organic grapes, compared with conventionally grown imported grapes. Chinese consumers, reportedly purchase domestically produced organic vegetables for 3-15 times the price of conventionally grown vegetables. Mexican consumers are reportedly paying about 30 percent more for both domestic and imported organic products.

Equivalence Arrangements Facilitate Trade

An analysis of data for 23 organic commodities shows that those commodities accounted for \$410 million in export sales in 2011, nearly evenly split between fruits and vegetables. More than half of the selected export sales of organics went to Canada.

An organic equivalence arrangement allows certified organic products from one country to be marketed as organic in the partner country without going through a separate certification process. The United States has had an organic equivalence arrangement with Canada since June 2009, which undoubtedly has helped facilitate U.S. exports.



On Feb. 15, 2012, the United States entered into an organic equivalence arrangement with the EU. This partnership is expected to provide additional export opportunities to U.S. producers. The EU is a high-income region with many consumers who are concerned about the use of genetically engineered organisms or artificial products.

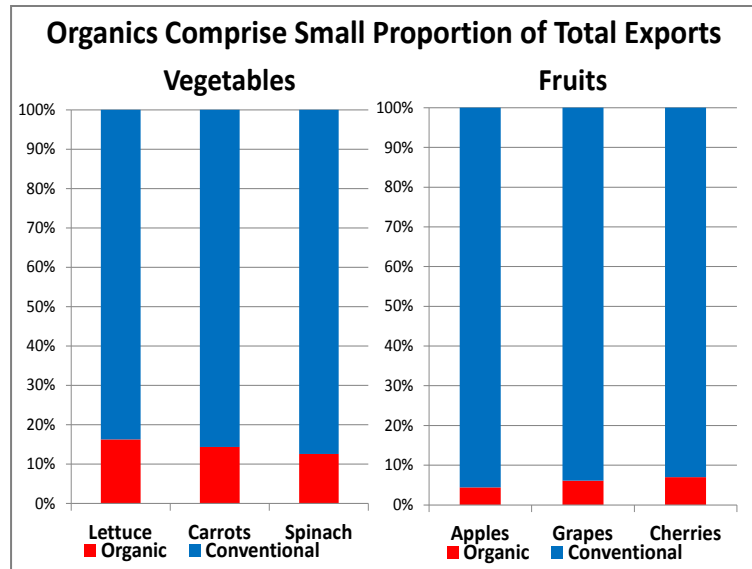
Japan is also a major market for U.S. food and agriculture exports, and health-conscious consumers with high incomes provide potential for growth in natural and organic markets. Current export arrangements with Japan, as well as with Taiwan, help facilitate U.S. organic exports.

The United States has begun discussions with Mexico over the possibility of an organic equivalence arrangement, although Mexico must first finalize its own organic regulations. This market is characterized by poor differentiation between organic products and conventional products, the lack of an organic labeling policy, and the absence of a comprehensive marketing campaign.

China is also interested in pursuing an equivalence arrangement with the United States. Organic food has become more popular there, considering recent food safety issues; however, consumers are still price-sensitive. The expanding middle class and rising incomes provide growth opportunities for differentiated products like organics.

The Organic Market is Relatively Small, but Expected to Grow

Fruits and vegetables are the primary organic products produced in the United States. Of the selected organic vegetables analyzed, lettuce, carrots, and spinach had the highest export sales. Organic lettuce, for instance, comprised about 16 percent of all lettuce exports. Of the organic fruits analyzed, grapes, apples, and cherries had the highest export sales. Organic apples, for example, comprised 4 percent of all apple exports. As the United States enters into organic trade arrangements with additional trading partners, international sales of organic products are expected to grow.



For more information, including instructions for accessing organic trade data from the FAS Global Agricultural Trade System, visit the FAS Organic Products web page at www.fas.usda.gov/http/organics/organics.asp or contact Andrew Sowell at (202) 720-0262 or andy.sowell@fas.usda.gov.